BancaMarch

General policy on **sustainability**

Contents:

1. Introduction

The challenges associated with sustainability and the implementation of the necessary measures to address the transition to a sustainable economy are generating risks and opportunities that have attracted the attention of regulators, supervisors, central banks, private actors and other bodies.

In the case of climate change, the declaration of a state of climate and environmental emergency requires the urgent adoption of the necessary specific measures to combat and contain this threat. This highlights the potential for destabilisation of the financial system and the real economy due to climate change risks. However, taking appropriate action to ensure an orderly transition to a low-emission economy is not easy. A transition process that is too slow puts the achievement of agreed global goals at clear risk, which could lead to scenarios of high instability and environmental, economic and financial disasters. However, a rapid and disorderly transition is not without risk either.

To ensure an orderly transition, regulators, supervisors, central banks and other stakeholders are incorporating the analysis and management of the financial risks and opportunities associated with sustainability into their work agendas.

In this regard, the global adoption in 2015 of the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change, among others, stand out. At the European level, the Green Deal (2019) sets out a set of measures aimed at making Europe the first climate-neutral continent by 2050 through a just transition, with no one left behind. In addition, at the national level, in order to contribute to the fulfilment of these objectives, we find the Action Plan for the implementation of the 2030 Agenda and the National Plan for Adaptation to Climate Change 2021-2030.

The challenges of sustainability mean unprecedented changes for all organisations to meet the new standards. In the case of the financial sector, the general trend is towards a transformation towards a more sustainable business model by progressively adapting its policies towards a more active participation in sustainability and the management of the risks involved.

While the integration of sustainability in the financial sector could initially be considered voluntary, it has evolved into a regulatory requirement of the supervisor and even of other stakeholders.

1.1. Sustainability at Banca March

Banca March is the head of one of Spain's leading financial groups and the only Spanish financial institution that has been wholly family-owned since its inception. With a unique and differentiated business model, sustainability has been part of its business philosophy since its origins almost 100 years ago.

A long-term vision that today is led by the fourth generation of the family. Values like trust, personal relationships, responsibility and commitment to new generations have been our priority for 90 years, are a priority today and will remain a priority in the future.

Its essence, joint growth, means that, conceptually, any decision or initiative must take into account the impact on stakeholders and seek the common benefit of shareholders, customers, employees and society in general.

This joint growth implies an absolute commitment to sustainable growth, which requires the full coincidence and alignment of interests between shareholders, employees, customers and society as a whole.

1.2. Sustainable growth with our stakeholders

In 2002, Banca March formalised its adherence to the United Nations Global Compact. And, since 2018, Banca March has been reporting its environmental, social and corporate governance (ESG) impacts in its non-financial statement (NFS), which is part of the management report accompanying its annual accounts. Thus, Banca March has publicly undertaken to implement a social responsibility policy based on the principles of the initiative and to report annually on this progress through a Non-Financial Statement (NFS).

From financial year 2024 onward, and once European Parliament and Council Directive (EU) 2022/2464 (CSRD) is transposed into Spanish law, the NFS will be replaced by a sustainability report, which will also form part of the management report.

Aware of the impact of its activity on society and in line with the Sustainable Development Goals (SDGs), Banca March is committed to its involvement through this General Policy on Sustainability.

New global trends are focused around investment and financing opportunities for activities such as: climate change, transition to a low-carbon economy, value chain traceability, digitalisation and technology, energy efficiency, renewable energies, smart cities and the circular economy.

The financial sector, and therefore Banca March, have an immense capacity to influence society and their actions generate an impact that must be measured in order to achieve the established objectives.

All Banca March's actions are established within the framework of its vision, mission and values and of joint growth with its stakeholders based on ethics, integrity and transparency.

1.3. Frame of reference.

Over the last few years, there has been a proliferation of regulations and a set of guidelines issued by the main international and national regulatory and supervisory bodies on the desirability for financial institutions to integrate sustainability into their business models and strategy, governance, risk management and disclosure. In particular, the following list of legislation and recommendations is highlighted, without being exhaustive:

- The European Commission's "Financing for Sustainable Development" Action Plan (March 2018) and the renewed Strategy (July 2021).
- Law 11/2018 of 28 December on non-financial information and diversity (December 2018).
- The EBA Action Plan on Sustainable Finance (September 2019).
- The European Central Bank's Guide to Climate and Environmental Risks (November 2020).
- The Bank of Spain's Guide to Supervisory Expectations on the Risks Arising from Climate Change and Environmental Deterioration (October 2020).
- Law 7/2021 of 20 May on climate change and energy transition (May 2021).
- Directive (EU) 2022/2464 of the European Parliament and of the Council on sustainability reporting by companies.

This Policy also considers Banca March's commitment derived from its adherence to the United Nations Global Compact. It is also inspired by the best practices contained in international conventions and protocols, codes of conduct and internationally applicable guidelines in this field. These include a focus on the UN Sustainable Development Goals, the Paris Agreement, the Network of Central Banks and Supervisors for the Greening of the Financial System, the Collective Commitment on Climate Action, and the Glasgow Finance Alliance for Net Zero.

Given that the regulatory environment is constantly evolving and subject to change, Banca March's sustainability policy will be reviewed in the event of any regulatory change that affects it and, in any case, to ensure that its content is aligned with Banca March's sustainability strategy and activity.

2. Objective and scope

2.1. Purpose

The objective of this policy is to provide Banca March with a general framework for action for the execution of its corporate activities in accordance with the applicable regulations, its strategy and the principles and commitments that Banca March assumes in ESG matters.

In addition, it establishes the necessary theoretical framework on which to draw up specific business policies that will help to minimise and better manage the risks of its activity, as well as to publicise and transfer these principles and commitments.

The preparation of this Policy has taken into account the relevant aspects for the entity expressed in its materiality analysis, the identification of relevant internal aspects on the management of Banca March and their assessment by its stakeholders, as well as the regulatory requirements and the criteria of the supervisors in this area.

2.2. Scope

This Policy will apply to all the companies of the Banca March Group, as a general framework from which specific policies will be developed adapted to the different sustainable business objectives of each of them. Only Inversis, in accordance with its own regulatory requirements, will have its own policy in line with this general framework.

This general Policy will be further developed in a number of special Policies, including those regulating ESG risk integration and general and specific exclusion criteria related to sectors, securities and types of entities, and will be complemented by the sustainability-related provisions contained in the Policies regulating, inter alia, remuneration, conflicts of interest and product governance.

Similarly, the content of Banca March's Sustainability Policy is applicable to all the areas and units that make up the Bank.

2.3. Key concepts

For the purposes of this Policy, it is first of all important to note what is meant by Environmental (E), Social (S) y Governance (G) factors. The European Banking Authority[1] provides a definition of ESG factors as environmental, social or governance issues that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individual. As most international frameworks and standards have refrained from establishing a single definition of ESG factors, Banca March considers the following to be ESG factors:

[1] EBA Report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18)

- Environmental factors: issues relating to the protection of the environment and the natural environment, as well as the transition to a low-carbon economy. It includes aspects related to pollution (e.g. soil pollutants), circular economy and waste prevention and management (e.g. waste production and management), sustainable use of resources (e.g. energy consumption and efficiency, water use and consumption, consumption of raw materials), climate change (e.g. greenhouse gas emissions, fossil fuel exposures), the protection of biodiversity (e.g. soil degradation, desertification or soil sealing) and the promotion of sustainable finance.

- Social factors: issues relating to the rights, welfare and interests of individuals, employees and the environment in which the Entity operates. Examples of these issues include respect for human rights and the labour standards required of each Entity, the promotion of gender equality, the reduction of inequality, non-discrimination and health and safety, as well as issues related to transparent and clear communication.

- Corporate governance factors: aspects related to the social responsibility, governance and structure of the companies invested in or recommended. In particular, the independence of administrative bodies, the fight against corruption and bribery and transparency are aspects that would be included in this section.

Likewise, in line with the European Banking Authority, sustainability risk or ESG risk is understood to be the risk of any negative financial impact on the entity derived from the current or future impacts of ESG factors on its counterparties or invested assets.

Climate change and degradation[2] environmental risk is a subcategory of environmental risk, which materialises through the following two transmission channels:

- **Transition risks**: potential losses associated with the process of change and adaptation towards a more sustainable economy. The main triggers or risks of such a transition process are:

[2] Definition based on the EBA report on the management and supervision of ESG risks

- Political and legal risks: It refers to changes in climate and environment-related policies, for example, as a result of energy efficiency requirements, carbon pricing mechanisms that increase the price of fossil fuels, or policies to encourage sustainable use of environmental resources.

- Technological risks: the emergence of new, cleaner technologies that may, for example, make existing (less environmentally friendly) technologies obsolete or uncompetitive, changing their affordability and affecting pricing relative to alternative products.

- Market risks: changes in consumer and investor preferences and behaviour, which can be manifested in an increased trend towards more sustainable products and services or, in the case of negative reputational impacts due to climate issues, through difficulty in attracting and retaining customers, employees, owners and investors.

– **Physical risks**: negative financial impact associated with the materialisation of the physical effects of climate change. Physical hazards in turn include:

- Acute physical risks: increased frequency or intensity of extreme weather events. For example, floods, fires, heat waves, storms and other environmental hazards that can damage production facilities or disrupt value chains.

- Chronic physical risks: progressive long-term climate change. E.g. increase in temperature, changes in rainfall patterns, sea level rise, loss of biological biodiversity, changes in land and soil productivity.

In addition, it should be noted that the Policy approaches sustainability from a **dual perspective of significance**[3]:

– **Financial significance:** is the impact that climate change (physical and transition risk) and other environmental and social risks may have on the accounts of the Entity or the counterparties in which

[3] Communication from the Commission: Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)

they invest. This dimension provides information on the extent to which the value of the Entity or counterparties is affected, showing their evolution, financial performance and situation.

- **Environmental and social** significance: refers to the impact of the Entity's and partners' activities on the climate change process, the environment and society.

3. General principles of conduct.

Banca March has a three-year Strategic Plan, which provides basic guidelines for action over the next three years.

Banca March, aware and aligned with its long-term vision and its philosophy of joint growth, establishes in its strategic framework the purpose to support a sustainable economy, taking a decisive step in ESG matters by promoting equality, diversity and environmental sustainability in order to achieve the joint growth of customers, employees, shareholders and society as a whole, as well as the search for sustainable profitability.

In addition, Banca March will be governed by the following general principles of action in the area of sustainability:

1. **Consolidating and ensuring a proper alignment of ESG strategic objectives with Banca March's corporate strategy.**

2. Promoting **solid, transparent and service-oriented governance in sustainability** that ensures the achievement of the strategy and the creation of long-term value for stakeholders.

3. **Acting with due diligence** in the identification, assessment, prevention and mitigation of significant extra-financial risks and impacts (ESG) and in the verification and control during the course of the entity's ordinary activities.

4. **Incorporate ESG criteria into Banca March's practices and policies,** paying particular attention to regulatory requirements and supervisory criteria.

5. **Incorporate ESG criteria into investment analysis and decision-making processes:** The consideration of ESG criteria and risks will be addressed in the policy of integrating ESG criteria in Banca March's investment and advisory decisions. Both own information and information provided by third party ESG rating providers contracted by the Bank for this purpose will be taken into account. In selecting these suppliers, the Bank shall act with due diligence, competence and care, taking into consideration both experience and prestige in the market, the entity's specialisation in this field and other aspects such as the quality of the information provided by the selected entity, and shall in any case review its suitability on a regular basis.

6. **Avoiding activities and sectors that are not consistent with Banca March's values and internal policies.**

    a. Business decisions should be based on an understanding of the risks involved in investment decisions and advice. Among these risks are ESG risks.
    b. Stability will not be sacrificed for growth.
    c. Quality will not be sacrificed for growth.

    The Exclusions Policy will set out the framework for action in relation to those activities or sectors that are not consistent with Banca March's values and its internal policies, in order to prevent investment or recommendation to invest in them or to grant them financing.

7. **Playing an active role in the disclosure of ESG matters in invested entities:** sustainability reporting in investee companies will be encouraged, and shareholder initiatives that promote disclosure of these issues will be supported to the extent possible. In addition, the disclosure obligations established by the applicable regulations in terms of sustainability will be complied with in a timely manner.

8. **Playing an active role in the sector, supporting external initiatives and disseminating our good practices:** Banca March will actively participate in initiatives and forums with the aim of fostering knowledge and promotion of these principles in the sector.

9. **Accountability:** compliance with these commitments will be monitored through a periodic corporate ESG report, and will be further developed and described in the Non-Financial Statement published on the corporate website.

10. Promoting the **awareness and education of the** stakeholders, as well as **support for initiatives** in relation to sustainability, especially environmental protection, equality, diversity, and finance, sharing knowledge and best practices with them.

11. Comply with the **legislation, regulations and standards** fiscal, economic, environmental and social issues.

4. ESG commitments

The exercise of this Policy and respect for its general principles is based on the adoption of a series of specific commitments, which Banca March promotes in line with the most relevant international and sectorial sustainability frameworks, and which are in line with the Bank's activity and strategy. These commitments will be protected by the governing bodies responsible for their implementation:

- **Continuous and open dialogue with its stakeholders.** Banca March will ensure the appropriate management of the relationships and expectations of its different stakeholders, always with balance, transparency, collaboration, legitimacy and common interest, as well as ensuring the effective alignment of its ESG commitments and their fulfilment in the relationship with its stakeholders: customers, professionals, suppliers, shareholders, opinion leaders and society in general.

- **Continuity and development.** Banca March will review and expand the scope and commitments of this Policy, as well as the design of other more specific or developmental policies, as the integration of ESG factors in its business model evolves.

- Commitments under three strategic lines of action:

People:

Banca March, true to its essence of joint growth aligned with the SDGs, will ensure and continue to promote policies and actions in social matters. Through various initiatives and commitments that promote quality education, accessibility, gender equality, and health and well-being. In particular, financial inclusion will be promoted, facilitating access to services and financial education on equal terms.

Banca March places people at the centre of its strategy and fosters personal and professional development through a motivating and safe environment, reflecting its philosophy of joint growth for customers, employees, shareholders and society in general. Banca March's unique model is based on four pillars: shareholder commitment, expert advice, outstanding quality service and excellent professionals. The bank's commitment to being a benchmark in people management is unquestionable and one of its growth levers

Environment:

Banca March is in line with the Action Plan for a greener and cleaner economy published by the European Commission in March 2018, as well as the Paris Agreement, the UN Global Compact and the SDGs in its commitment to positively influence society by making decisions that promote the conservation and use of natural resources for efficient environmental management.

Protecting the environment and striving for eco-efficiency are fundamental challenges for Banca March and are part of its environmental policy, with the aim of minimising the impact of our professional activity.

Awareness-raising and training in good environmental practices will be promoted among its main stakeholders.

Sustainable business:

Banca March is committed to strengthening its path towards a sustainable economy that combines long-term profitability with an adequate level of risk and the assumption of ESG criteria.

Among its strategic premises, aligned with the Paris Agreement, the European Union's 2030 Agenda for Sustainable Development and the European Commission's Action Plan on Sustainable Finance, Banca March establishes the following objectives:

- Reorienting capital movements towards a more sustainable economy.
- Incorporate sustainability into risk management.
- Promoting long-term transparency.

Banca March is also committed to developing products that help preserve the environment or have a social impact and that allow it to grow over time in a sustainable manner and while preserving its solid financial ratios.

To achieve these objectives, the corresponding **Sustainable Investment and Financing Frameworks** are defined and described below.

Sustainable Financing Framework

Banca March's financing offer will be considered sustainable if it falls into one of the following two categories:

I. **Specific purpose sustainable financial arrangements**: Those that provide financial support to economic activities that generate a positive impact in environmental or social terms or a mixture of both.

   To succeed, the funds will be put to various uses, to be determined according to the main business lines and customers. Its definition will follow standards, certifications and initiatives of recognised prestige and application in the market, including the EU's own taxonomy of sustainable activities.

Meanwhile, counterparties or [4]pure player companies or entities whose core business is focused on sustainable activities will be flagged. Therefore, any financing granted to these "pure sustainable customers" will be considered sustainable, unless any of the exclusion criteria set out in the Exclusion Policy to be approved by the Board are met.

II. **General purpose sustainable financial arrangements**: those that provide financial support to economic activities by generating incentives based on a better performance in terms of sustainability of the counterparty or client.

In this case, funding is provided without restrictions on use, but sustainable performance targets and indicators are set for their measurement. The price or other relevant characteristics of the transaction may fluctuate, depending on whether or not performance targets related to pre-defined indicators linked to the contract are achieved.

Sustainable Investment Framework

This framework aims to identify and define the characteristics that an investment product must present to be considered sustainable.

To this end, a methodology based on applicable regulatory requirements and best market practices will be followed and articulated in five phases:

I. **ESG risk integration**: all investment products considered sustainable must comply, first and foremost, with an ESG risks screening process, in line with the Entity's ESG Risks Integration Policy.

II. **Application of exclusions**: secondly, sustainable investment strategies will exclude companies whose revenues derive significantly from the business activities listed in the Banca March Group's Exclusion Policy.

III. **Compliance with social and good governance requirements**: third, any investment considered sustainable must be aligned with the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Declaration of the

[4] A "pure player" is an entity whose primary business focus falls on sustainable activities, in contrast to companies that only dedicate a fraction of their business to such activities.

International Labour Organization (ILO) and the International Bill of Human Rights

IV. **Do No Significant Harm (DNSH):** to help ensure that no investment considered sustainable should cause harm to any social and/or environmental objective, a methodology based on the analysis of controversies and the consideration of the Principal Adverse Impacts (PIAs) will be applied.

V. **Substantial contribution:** lastly, determining whether an investment qualifies as sustainable will require an assessment of its substantial contribution to one or more environmental and/or social objectives, such that the investment is geared towards an objective that generates a positive impact on the environment or society. To ensure that this is the case, the following methodological frameworks will be used: EU Taxonomy, Contribution to the Sustainable Development Goals (SDGs), Compliance with Banca March's eligibility criteria (which links a number of themes to the SDG goals and targets), Alignment with European emission reduction indices – Climate Transition Index (CTB) and Paris Agreement Alignment Index (PAB) and ESG Rating.

The Management Committee is authorised to approve an internal rule developing and further specifying these Sustainable Finance and Sustainable Investment Frameworks.

ESG Risk Integration Policy and Exclusion Policy:

Banca March will ensure a balance between profitability and an appropriate level of risk, including the consideration of both financial risks and extra-financial risks (ESG). An adequate level of risk is considered to be that which is aligned with the entity's risk appetite and complies with the general internal risk management criteria and other policies, including the entity's sustainability risk integration policy and exclusion policy.

This exclusion policy will take into account general and specific exclusion criteria related to sectors, securities and type of entity.

In addition to the criteria set out above, Banca March will act with due diligence, competence and care, taking into account experience, market reputation and other aspects in making individualised decisions whenever necessary.

5. Governance.

The governing and management bodies of Banca March will have the following powers related to this Policy:

a) The Board of Directors approve the revision of this Policy, at the proposal of the Management Committee and following a report from the Nominating, Sustainability and Corporate Governance Committee, and shall oversee its application and compliance, ensuring that the necessary resources are available to carry it out.

b) The Appointments, Sustainability and Corporate Governance Committee shall report any proposed reviews of this Policy, evaluate and periodically review its compliance, and perform the other functions ascribed to it by the Regulations of the Board of Directors.

c) The Steering Committee shall submit to the Board of Directors proposals for the revision of this Policy and shall adopt such measures as may be necessary for its implementation and compliance.

The execution and compliance with this Policy shall be the responsibility of the Brand and Sustainability Unit, which for this purpose shall exercise the powers vested in it by the Internal Management Structure Regulations approved by the Management Committee, acting under the supervision and coordination of the Sustainability Committee, whose composition and powers are regulated in the same Internal Management Structure Regulations.

In particular, the Brand and Sustainability Unit shall prepare and submit to the Sustainability Committee, for subsequent submission to the Management Committee as the case may be, proposed updates to this Policy.

6. Publication

Banca March is committed to guaranteeing total transparency in the field of sustainability so that stakeholders can know and understand the Group's commitments and objectives in sustainability, as well as its progress. To this end, and in order to promote total transparency, this Policy will be published on the website (https://www.bancamarch.es/es/).

7. Further reviews

This Policy will be reviewed periodically, and at least once a year, in response to any needs and trends that may affect it, including legal concerns.

8. Approval

This Policy was approved by the Board of Directors at its meeting held on 24 May 2022.

Version	Approval Body	Date of approval	Summary of changes
1	Board of Directors	24/05/2022	Approval of the policy
2	Board of Directors	24/07/2024	Policy update